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**STATE OF IOWA
LEGISLATIVE FISCAL BUREAU**

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MEMORANDUM



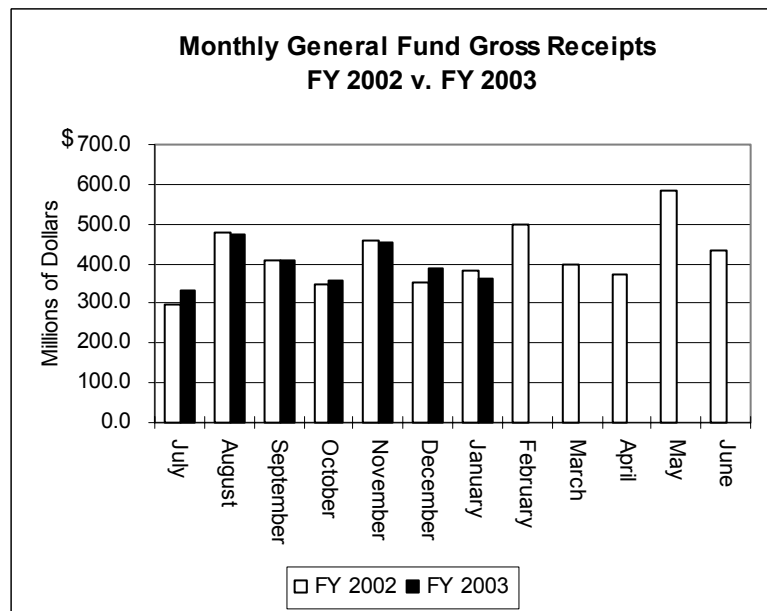
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Dennis C. Prouty

DATE: February 3, 2003

Monthly General Fund Receipts through January 31, 2003

The attached spreadsheet presents total FY 2003 monthly General Fund receipts, with comparable figures for actual FY 2002. These figures can be compared to the FY 2003 estimate (\$5.025 billion) set by the Revenue Estimating Conference (REC) on December 6, 2002. The estimate represents an increase of \$17.5 million (0.3%) compared to actual FY 2002 gross cash receipts (excluding transfers). A date has not been set for the next REC review of the FY 2003 estimate.



FY 2003 Compared to FY 2002

Year-to-date FY 2003 total gross revenues (excluding transfers) have increased \$46.4 million (1.7%) compared to the same time period of FY 2002. Major revenue sources contributing to the change include:

- Withholding tax payments (positive \$59.2 million)
- Income tax estimate payments (negative \$22.3 million)
- Corporate tax payments (positive \$11.4 million)
- Inheritance tax (negative \$4.4 million)
- Veteran's Home net budgeting (negative \$16.9 million)
- Sales & use tax (positive \$7.7 million)

January FY 2003 total gross revenues (excluding transfers) decreased \$17.6 million (- 4.6%) compared to January 2002. The decrease was due to low sales tax and income tax estimate payment receipts and also a decrease associated with net budgeting changes at the Veteran's Home. Income tax withholding receipts softened some in January, but still posted a 3.2% increase compared to January 2002.

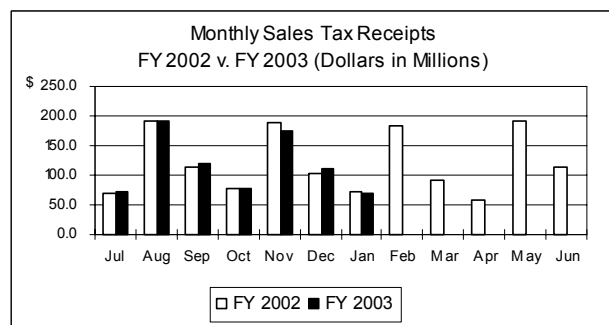
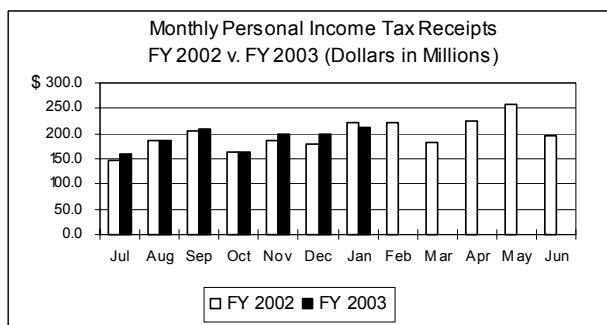
Personal income tax revenues received in January totaled \$211.1 million, a decrease of \$10.2 million (- 4.6%) compared to January 2002.

The State tracks personal income tax in three sub-categories.

- During the month of January, withholding tax payments increased \$4.6 million (3.2%).
- Income tax receipts from quarterly estimate payments decreased \$15.8 million (- 21.4%).
- Income tax payments with tax returns are a minor revenue source during the month of January.

The FY 2003 REC income tax estimate of \$2.444 billion represents a projected increase of 3.0% compared to actual FY 2002. The year-to-date change in personal income tax receipts is 3.0% through January.

The following Chart compares FY 2003 monthly personal income tax receipts from all three sub-categories with FY 2002.



Sales tax receipts received in January totaled \$70.0 million, a decrease of \$1.4 million (1.9%) compared to January 2002.

The REC estimate for FY 2003 sales tax receipts is \$1.449 billion, which represents a decrease of 0.3% compared to actual FY 2002. The year-to-date growth in sales tax receipts is - 0.3%.

The Chart above compares FY 2003 monthly sales tax receipts with FY 2002.

Use tax receipts received in January totaled \$26.9 million, an increase of \$0.4 million (1.6%) compared to January 2002.

The REC estimate for FY 2003 use tax receipts is \$240.8 million, which represents an increase of 1.0% compared to actual FY 2002. The year-to-date growth in use tax receipts is 3.2%.

Corporate tax receipts received in January totaled \$17.8 million, a \$540,000 increase (3.1%) compared to January 2002.

The REC estimate for FY 2003 corporate tax receipts is \$226.2 million, which represents an increase of 2.3% compared to actual FY 2002. The year-to-date growth in corporate sales tax receipts is 9.3%.

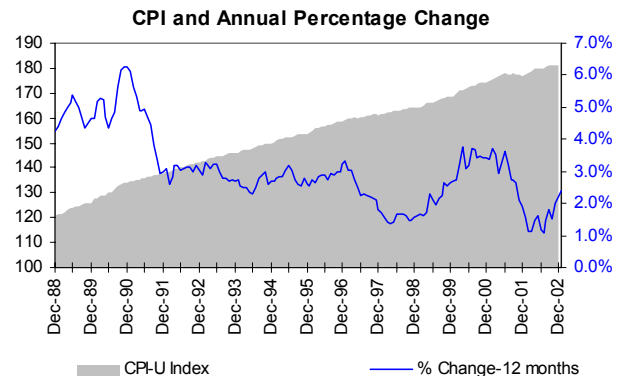
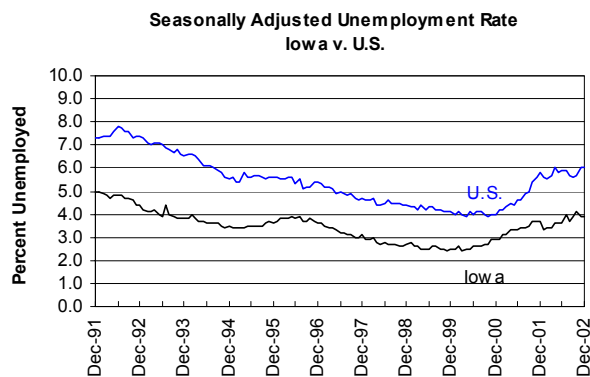
Status of the Economy

The December seasonally adjusted Iowa unemployment rate was unchanged from the November rate of 3.9%. The Iowa unemployment rate a year ago was 3.7%. Iowa's total adjusted December employment registered at 1,556,800, up 13,500 from last year's level. The number of unemployed persons in Iowa was recorded at 63,000 in December, an increase of 3,100 compared to last year's level.

The U.S. unemployment rate in December was 6.0%, 2.1 percentage points above the Iowa rate. The U.S. rate one year ago was 5.8%.

Consumer prices fell 0.22% during the month of December (not seasonally adjusted). The Consumer Price Index (CPI-U) through December 2002 was 180.9 (1983/84=100), 2.4% higher than one year ago.

The following charts illustrate U.S. and Iowa unemployment comparisons and the Consumer Price Index through December 2002.



Information related to State General Fund receipts is available on the Legislative Fiscal Bureau's website at: <http://staffweb.legis.state.ia.us/lfb/revdebt.htm>.

GENERAL FUND RECEIPTS - FY 2002 vs. FY 2003 July 1 through January 31, in millions of dollars Dollars may not add due to rounding					ESTIMATED GENERAL FUND RECEIPTS in millions of dollars FY 02 Actual Compared to FY 03 REC Estimate		
	FY 2002	FY 2003	Year to Date % CHANGE	January % CHANGE	Actual FY 2002	Estimate FY 2003	Projected % CHANGE
Personal Income Tax	\$ 1,286.8	\$ 1,325.6	3.0%	-4.6%	\$ 2,372.1	\$ 2,444.4	3.0%
Sales Tax	813.9	816.9	0.4%	-1.9%	1,453.0	1,449.2	-0.3%
Use Tax	147.6	152.3	3.2%	1.6%	238.5	240.8	1.0%
Corporate Income Tax	122.1	133.5	9.3%	3.1%	221.2	226.2	2.3%
Inheritance Tax	58.8	54.4	-7.5%	11.5%	100.4	85.5	-14.8%
Insurance Premium Tax	-0.2	0.8	500.0%	-68.8%	135.4	139.3	2.9%
Cigarette Tax	52.7	51.5	-2.3%	-18.1%	88.0	86.0	-2.3%
Tobacco Tax	4.2	4.4	4.8%	7.5%	7.1	6.8	-4.2%
Beer Tax	8.4	8.5	1.2%	3.6%	13.8	14.0	1.4%
Franchise Tax	16.7	17.8	6.6%	-11.0%	30.9	30.9	0.0%
Miscellaneous Tax	2.6	1.4	-46.2%	59.2%	1.5	1.5	0.0%
Total Special Taxes	\$ 2,513.6	\$ 2,567.1	2.1%	-3.2%	\$ 4,661.9	\$ 4,724.6	1.3%
Institutional Payments	28.3	10.5	-62.9%	-79.1%	48.6	16.6	-65.8%
Liquor Transfers - Profits	21.0	23.0	9.5%	20.0%	38.5	39.0	1.3%
Liquor Transfers - 7% Revenues	5.3	5.3	0.0%	0.0%	9.0	9.0	0.0%
Interest	10.3	12.7	23.3%	-31.3%	25.3	18.0	-28.9%
Fees	40.6	42.8	5.4%	-33.8%	70.2	66.3	-5.6%
Judicial Revenue	22.8	25.9	13.6%	11.9%	51.9	55.0	6.0%
Miscellaneous Receipts	23.1	23.9	3.5%	-14.3%	42.1	36.5	-13.3%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 2,725.0	\$ 2,771.2	1.7%	-4.6%	\$ 5,007.5	\$ 5,025.0	0.3%